

# U.S.-JORDAN FREE TRADE AGREEMENT

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On Friday, September 28, 2001, President Bush signed into law the United States-Jordan Free Trade Area Implementation Act, which implements the U.S.-Jordan Free Trade Agreement (JFTA). The JFTA eliminates duties and commercial barriers to bilateral trade in goods and services originating in the United States and Jordan. It is America's third free trade agreement, following the U.S.-Israel FTA and the North American Free Trade Agreement (NAFTA) and the first with an Arab country. It will likely take effect at the beginning of 2002.

The purpose of the JFTA is to create a free trade area between the United States and Jordan to support Jordan's domestic economic reforms, encourage efforts by other Middle East countries to open their economies and to enhance regional stability. The JFTA will play a major role in fostering closer bilateral business ties between American and Jordanian firms. It will provide benefits to consumers and businesses in the United States and Jordan by increasing choices and lowering the prices of goods and services.

## HIGHLIGHTS OF JFTA

The JFTA is a unique and groundbreaking agreement in a number of areas and achieves significant liberalization across a wide spectrum of trade issues. It will eliminate all tariff and non-tariff barriers to bilateral trade in virtually all industrial goods and agricultural products within 10 years. It is

the first trade agreement to include substantive provisions addressing electronic commerce, a step that should help advance a global free trade agenda in a sector critical to American high technology and multimedia companies. Both countries agreed to avoid imposing customs duties on electronic transmissions, imposing unnecessary barriers to market access for digitized products and impeding the ability to deliver services through electronic means. Jordan becomes the first country to legally bind itself to no customs duties on electronic transmissions (WTO members currently only have political commitments in this area). These provisions also tie in with commitments in the services area that, taken together, aim at encouraging investment in new technologies and stimulating the innovative uses of networks to deliver products and services.

### *Intellectual Property*

The JFTA's provisions on intellectual property rights (IPR) build on the strong IPR commitments Jordan made in acceding to the World Trade Organization (WTO). The JFTA incorporates the most up-to-date international standards for copyright protection, as well as data exclusivity for pharmaceuticals and stepped-up commitments on enforcement. Among other things, Jordan has undertaken to ratify and implement the World Intellectual Property Organization's (WIPO) Copyright Treaty and WIPO Performances and Phonograms Treaty within two years. These two treaties, sometimes referred to as the "Internet Treaties," establish several critical elements for the protection of copyrighted

works in a digital network environment, including creators' exclusive right to make their creative works available online, as well as Jordanian adherence to new WIPO treaties on copyright protection on the Internet.

### *Labor and Environmental Laws*

The JFTA also contains trade-related environmental and labor provisions. These provisions will not require either country to adopt new labor or environmental laws and each country retains the absolute right to set its own labor and environmental standards and to change those standards. As part of the agreement, the two countries affirm the importance of not waiving or derogating from their labor or environmental laws to encourage trade and then commit to effective enforcement of their domestic labor and environmental laws. Each government has agreed to enforce its labor laws, through a sustained or recurring course of action or inaction. The JFTA makes clear that in enforcing its labor laws, each country retains the right to set its own enforcement priorities.

Each country also affirms the importance of not waiving or derogating from its environmental laws to encourage trade. Both countries reaffirm their belief in the principle of sustainable development and agree to strive to maintain high levels of environmental protection and to improve their environmental laws. In a separate understanding, the countries established a U.S.-Jordanian Joint Forum on Environmental Technical Cooperation for ongoing discussion of environmental priorities and identify environmental

quality and enforcement as areas of initial focus. The JFTA and supplemental understandings also contain other environmental-related elements, including provisions addressing transparency and public input and environmental exceptions. Like its labor language, the environmental provisions of the JFTA do not require changes in existing laws.

#### *Dispute Resolution*

As in the 1985 U.S.-Israel Free Trade Area Agreement, the JFTA creates a multi-step dispute settlement process that places a premium on cooperative resolution of disputes, as well as on procedural transparency. Disputes that cannot be resolved through consultation may be referred to a panel of independent experts for a non-binding opinion. If a dispute cannot be settled after panel proceedings are completed,

have already surpassed the total for all of 2000, totaling \$92 million. U.S. exports to Jordan for January-June 2001 are \$159 million, slightly ahead of \$150 for January-June 2000. Major U.S. exports to Jordan include machinery, electrical machinery and aircraft parts while imports from Jordan include apparel and precious stones. Part of the reason for the increase in U.S.-Jordan bilateral trade is the qualified industrial zone (QIZ) initiative. Established in 1996, the QIZ program is part of the United States' sustained commitment to build economic cooperation between peace partners in the Middle East, an effort that includes the JFTA. The Presidential proclamation establishing QIZs extends duty-free status to "products of the West Bank, Gaza and qualifying industrial zones." The QIZ represents an unprecedented

in the Jordanian government's efforts to modernize the economy. The Jordanian government, with the support of its private sector, has passed legislation and undertaken regulatory reform to address customs and phytosanitary regulations, intellectual property protection, the tax regime and laws regulating services. Pharmaceutical and Research Manufacturers of America (PhRMA) member companies have been impressed by the government of Jordan's far-sighted and comprehensive approach to economic and regulatory reform in the intellectual property, clinical research and drug approval process. As a result, PhRMA members now look to Jordan as a preferred partner for pharmaceutical research, development, licensing and/or co-marketing agreements. The Jordanian Parliament also established the city of Aqaba as a Special Economic

**"THIS AGREEMENT SENDS A STRONG MESSAGE OF SUPPORT AND CONFIDENCE IN THE JORDANIAN ECONOMY BY THE UNITED STATES. IT WILL HAVE BOTH A SYMBOLIC AND TANGIBLE IMPACT. WE EXPECT THE AGREEMENT TO RESULT IN SIGNIFICANT INVESTMENT IN JORDAN, RAISE THE QUALITY OF JORDANIAN PRODUCTS, INCREASE EXPORTS TO THE UNITED STATES, AND CREATE JOBS IN BOTH COUNTRIES."**

**—MARWAN MUASHER, JORDANIAN AMBASSADOR TO THE UNITED STATES**

the FTA authorizes the affected party to take "appropriate and commensurate measure," without specifying the form that this action should take. However, the party taking the action may not act in a manner that is inconsistent with its WTO obligations. Because the United States already has a Bilateral Investment Treaty with Jordan, the FTA does not include an investment provision.

#### **JORDANIAN ECONOMY**

Jordan has a population of approximately five million people and is bordered by Iraq, Israel, Saudi Arabia and Syria. Bilateral trade with Jordan is relatively small but is growing. U.S. exports to Jordan in 2000 were \$313 million, while imports from Jordan totaled \$73 million. For the first six months of 2001, imports from Jordan

opportunity to gain duty-free access to the U.S. market and is available only to Jordan, Egypt and Israel. To date only Jordan and Israel have taken advantage of the program. Eleven QIZs have been established since the designation of the first zone in 1998, creating thousands of jobs. Investment in the establishment of QIZs is around \$85–100 million, which is expected to grow to \$180–200 million when all projects are completed.

King Abdullah and the Jordanian Government are focused on taking steps to attract investment and open up the Jordanian economy, which included WTO accession last year. The King's most important economic goal is to make Jordan a part of the global economy by developing high-value services, especially in information technology. He sees Singapore and Ireland as models and has been actively involved

Zone. A corporation has been assigned to manage the zone. Aqaba is a port city and customs duties will be abolished and taxes lowered on income and services. Approximately 50 percent of the projects will be in the tourism sector, 20 percent in services and 30 percent in industry. ■

U.S. companies in need of assistance or who have questions regarding the JFTA are encouraged to contact Carl Oberg in ITA's Office of the Near East at (202) 482-2896. Other questions regarding doing business in Jordan should be addressed to ITA's Trade Information Center at (800) USA-TRAD(E). Rick Ortiz is the Commerce Department's Senior Commercial Officer in Amman focused on opening new markets for American firms in Jordan. He can be reached at 962-6-592-0101 x2632 or at [Ortizeg@state.gov](mailto:Ortizeg@state.gov).